EXHIBIT 15–6

FINA COMPANY
Statement of Changes in Financial Position, Cash Basis
For the Year Ended December 31, 19B[a]

Sources of Cash:[b]		
From operations:		
Net income	$ 8,000	
Add (deduct) adjustments to convert to cash basis:		
Accounts receivable increase	(5,000)	
Depreciation expense	6,000	
Amortization expense (patent)	200	
Merchandise inventory decrease	4,000	
Accounts payable increase	2,000	
Income tax payable decrease	(500)	
Net cash generated from operations		$14,700[c]
From other sources:		
Borrowing on long-term note	10,000	
Sale of unissued common stock	11,000	
Disposal of long-term investment (Note A)	5,000	
Total cash generated from other sources		26,000
Total cash generated during the period		40,700
Uses of Cash:[b]		
Payment of cash dividend on common stock	7,000	
Payment on bonds payable	8,000	
Payment on notes payable, short term (nontrade)	4,000	
Purchase of patent	3,400	
Purchase of treasury stock	3,000	
Acquisition of equipment (Note A)	5,000	
Total cash used during the period		30,400
Net increase of cash during the period		$10,300

Note A: Equipment was acquired in exchange for common stock of X Corporation, which was being held as a long-term investment.

[a] Source of data. Exhibit 15–5.

[b] Sometimes referred to as "Cash generated" and "Cash applied," respectively.

[c] Some persons prefer to set the computations above this line to separate revenues from expenses, which has two distinct advantages: (1) separate computing and reporting of the cash inflows from revenues and the cash outflows for expenses and (2) no implication that depreciation and amortization expenses are sources of cash. To illustrate:

Revenues	$100,000	
Add (deduct) adjustments to convert to cash basis:		
Accounts receivable increase	(5,000)	
Cash generated from revenues		$95,000
Expenses ($60,000 + $32,000)	92,000	
Add (deduct) adjustments to convert to cash basis:		
Depreciation expense	(6,000)	
Amortization expense	(200)	
Merchandise inventory decrease	(4,000)	
Accounts payable increase	(2,000)	
Income tax payable decrease	500	
Cash disbursed for expenses		80,300
Net cash inflow from operations		$14,700

in the future. The SCFP reports on the liquidity of the entity, and cash is the most liquid of all assets. Cash represents the concept of funds that circulate through a business daily; a company deals in terms of cash, and it is generated and used continuously. Also, cash is accounted for separately (in the Cash account), and it can be physically counted. Cash inflows and outflows are understood and communicated easily (via the SCFP). In contrast, working capital is an elusive concept to many persons, particularly because it includes numerous assets (all of the different current assets) and numerous offsets (all of the different current liabilities).

The SCFP, cash basis, reports all of the **cash sources,** all of the **cash uses,** and the **difference** between the total cash inflows and total cash outflows of the period. Therefore, the "bottom line" of the SCFP reports the net increase or decrease in cash during the period, which also is the same amount as the change in Cash account balance between the two consecutive balance sheets.

The SCFP, cash basis, reports the following primary captions:

Sources of cash:
- Cash flow from regular operations (including cash receivables less cash expenses)
- Cash flow from extraordinary items
- Other inflows of cash:
  - From disposal of *noncash* assets
  - From borrowing
  - From sale and issuance of capital stock
  - Direct exchanges (the financing activity)

Uses of cash:
- Cash outflows to acquire noncash assets
- Cash outflows to pay nontrade liabilities
- Cash outflows to purchase treasury stock
- Direct exchanges (the investing activity)

The above sources and uses of cash are illustrated on a typical SCFP, cash basis, in Exhibit 15–6.

PREPARING THE SCFP, CASH BASIS

Knowledge of the technical preparation of a SCFP is not essential to be able to use it effectively. However, as with the income statement and balance sheet, a general understanding of the procedures used to prepare the SCFP often is helpful in understanding it.[9] The SCFP can be prepared by using either of two alternative approaches:

1. **T-account approach**—This procedure traditionally has been used for instructional purposes because students are familiar with T-account

[9] The discussions of the T-account and worksheet approaches which follow can be omitted without significantly impinging upon the remaining discussions.

"My question is: Are we making an impact?"

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Point Foundation
Balance Sheet
DECEMBER 31, 1990

LIABILITIES & EQUITY

		JULY 31, 1991	DEC. 31, 1990	CHANGE
CURRENT LIABILITIES:				
A/P - Trade		15,976.60	12,732.10	
A/P - Miscellaneous		-113.48	29,567.65	- 29,681.13
A/P - Chronicle		295.00	445.00	
Contracts Payable - Current		2,689.42	4,807.22	
Sales Tax Payable		15.05	249.00	
Taxes Payable - Other		450.00	450.00	
Sub Advances - Current	557,036.	~~634,277.70~~	581,274.70	- 24,243.
TOTAL CURRENT LIABILITIES	575,744.59	~~593,580.29~~	629,525.67	
LONG TERM LIABILITIES:				
Contract Payable - Long Term		6,072.96	6,072.96	
Restoration Book Advances		4,520.62	4,520.62	
TOTAL LONG TERM LIABILITIES		10,593.58	10,593.58	
TOTAL LIABILITIES	586,338.17	~~610,581.87~~	640,119.25	
Fund Surplus Beginning		-347,366.21	-416,937.96	+ 69,571.75
INCREASE/(DECREASE) IN FUND	- 36,650.98	~~-64,893.38~~	69,571.75	- 48,347.03
TOTAL LIABILITIES & EQUITY		202,321.68	292,753.04	

FUND NET off by $1.-

	7/31	1/1
AP	18713.59	48,250.97

uses of cash

↓ in A/P	29,537.38
↑ in A/R	6,396.56
↓ in S/L	24,243.00
Loss	36,650.98
use:	96,827.92
vs. cash disap.	87,096.78

why ~~10,000~~ discrepancy?
9731.14

Point Foundation
Balance Sheet
JULY 31, 1991
Page 1

Assets

	JULY 31 1991	DEC 31, 1990	CHANGE
CURRENT ASSETS:			
Cash - westAmerica Bank	7,891.32	21,903.48	
Cash-Wells Fargo/Mill Valley	4,487.20	11,532.22	
Petty Cash	62.10	145.77	
Cash/WorkingAssetsMoneyFund	74,112.22	139,801.65	
Cash-CCS Postal Acct	548.24	714.62	
TOTAL CASH IN BANK	87,000.98	174,097.74	-87,096.78
A/R - Distributor	49,407.92		
A/R Dist Loss Reserve (Cr)	-9,000.00	39,881.23	- 5,875.63
A/R - Warner	-6,402.32		
A/R - Employee-Aetna TDA	20.00	0.	+ 20.
A/R - Mailing List-Pac Lists	6,147.33	6,860.73	- 713.40
A/R - The Well	1,369.22	3,665.81	- 2296.59
A/R - Chronicle	4,550.00	2,200.00	+ 2750.-
A/R - Employee Kaiser	144.97	464.61	- 319.64
A/R - Employee	424.28	385.58	+ 38.70
TOTAL ACCOUNTS RECEIVABLE	47,061.40	53,457.96	- 6,396.56
Inventory - WEA	1,575.00	1,575.00	0.
TOTAL INVENTORY	1,575.00	1,575.00	0.
TOTAL CURRENT ASSETS	135,637.38	229,130.70	- 93,493.34
FIXED ASSETS:			
Furniture & Equipment	173,017.30	170,864.24	
TOTAL FIXED ASSETS	173,017.30	170,864.24	
Accumulated Depreciation(Cr)	-146,867.00	-146,867.00	
FIXED ASSETS (LESS DEPR.)	26,150.30	23,997.24	+ 2153.06
OTHER ASSETS:			
Investments: Zoneworks	30,000.10	30,000.10	
Investments: The WELL	9,500.00	9,500.00	
Deposits	375.00	125.00	
Prepaid Taxes	0.60	0.	
Prepaid Expense	658.32	0.	
TOTAL OTHER ASSETS	40,534.02	39,625.10	+ 908.92
TOTAL ASSETS	202,321.68	292,753.04	-90,431.36